

# THE JURISDICTIONAL SETTING OF WASHINGTON STATE'S ELECTRICITY POLICY

## APPENDIX A

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The making of Washington State electricity policy takes place in a uniquely complex multi-jurisdictional setting. Our local, state, and federal governments all have important roles to play. The Pacific Northwest has geographical features that make it the only region in the country where hydropower is the principal source of electricity generation. The political decisions that created the Bonneville Power Administration (BPA) in 1937, and enhanced its role ever since, guaranteed that the federal government plays a dominant role in developing those hydropower resources. In addition, the federal government created the Northwest Power Planning Council (NWPPC) in 1980 as an interstate compact to conduct regional electricity planning (among other responsibilities) as a federal-state partnership. Thus, as the accompanying chart illustrates, there are few electricity policy decisions that can be made only at the state level. And, given the fragmented nature of the Washington utility structure with more than 60 utilities, there are no executive branch agencies that have jurisdiction over all electric utilities. Unlike other states where investor-owned utilities (IOUs) predominate and the public utility commission or its equivalent has an equal role in electricity policy in Washington's electricity policy is determined by continuous negotiations among utilities, governmental entities, customer and environmental interests, and federal decision makers.

In Washington, therefore, "state electricity policy" is almost a misnomer because there are few policies that apply uniformly to all participants in the electricity industry. Change in policies and practices in the electricity sector requires enormous political force because of the levels of government involved. While statewide coalitions of IOUs, large and small consumers of electricity, and environmental groups could negotiate restructuring legislation in Oregon and Montana (as well as in many other states), such discussions went nowhere in

Washington. Washington's consumer-owned utilities (COUs) did not believe such an agreement would benefit their customers and did not support it. And, unlike the other states, where consumer-owned utilities could be exempted from legislation since they account for 25 percent or less of retail electricity sales, in Washington such an exemption would have been pointless since COUs account for 55 percent of retail sales. Indeed, Washington's consumer-owned utilities are often more interested in BPA policies and procedures than in the state legislative and regulatory processes. Washington's electricity policy is influenced more often by working indirectly with BPA than through legislative action.

BPA's unique role also amplifies the effects of federal policy making in the state and in the region. Not only do Washington electricity interests have to deal with all aspects of federal electricity policy such as the Federal Energy Regulatory Commission's (FERC) of Regional Transmission Organizations (RTOs) and Standard Market Design (SMD) proposals, but they also have to deal with them as filtered through BPA as well as through state regulatory bodies. Thus, lobbying BPA and those who have leverage over BPA, such as the Northwest congressional delegation and the NWPPC, is as much a part of state policy making as advocating before the governor, the legislature or the Washington Utilities and Transportation Commission (WUTC.) Because BPA is subject to a much wider set of federal statutes that affects its activities in such areas as water quality (Clean Water Act) and salmon recovery (Endangered Species Act and The Northwest Power Planning Act) in addition to how it markets its power, the range of influences on BPA that can affect Washington is too broad to fully enumerate. For example, a congressman in Louisiana whose district includes a company that owns an aluminum smelter in Washington will try to require BPA to sell power to that smelter by

amending pending legislation. Or a Northwest environmental group that advocates removal of the Snake River dams to enhance salmon recovery will take its case to newspaper editorial boards all over the country. Or the Northeast-Midwest coalition will advocate for higher BPA rates on the grounds that low rates provide an unfair advantage for the Northwest. Or, finally, government officials in California will assert an entitlement to BPA assets during the West Coast electricity crisis of 2000-2001.

The following table illustrates the complexity of the jurisdictional setting of Washington electricity policy by indicating the range of agencies and organizations that might be involved.

**TABLE A.1: WASHINGTON'S ELECTRICITY POLICY RESPONSIBILITIES**

Illustrative Policy Goals	Policy Pathways	Responsible State Agencies	Key Regional Entities	Federal Actors we need to influence	Other Considerations
Low Prices/Costs	Protect BPA as a regional resource	All	BPA itself NWPPC	Congress, DOE	We might also consider state legislative actions that encourage end users to undertake hedging strategies (conservation, self generation, contracts)
	Conservation & Efficiency mandates & incentives	CTED UTC Legislature DOR	NWPPC BPA	Congress	
	Smart financial mgt and resource decisions (integrated resource planning)	UTC (Public and Private Utilities)	BPA		
Adequate Electricity Supplies	Siting policies	Governor EFSEC Local governments Legislature		Congress (is considering federal role)	Note: According to BPA and NWPPC our resources are now adequate for the immediate future  Building and acquiring resources are separate functions/ decisions in the current regulatory environment
	Reserve requirements/incentives	UTC (Public and Private Utilities)	BPA WECC	Congress FERC	
	Renewable incentives	Legislature DOR		Congress	
	Planning and Forecasting	CTED EP UTC Utilities	NWPPC BPA NWPP	DOE	
	Acquisition	UTC (Public and Private Utilities)	BPA		
	Demand Management	UTC (Public and Private Utilities)	BPA		
	Conservation/ Efficiency	See Above			
Reliable Service/ Adequate Transmission	Build needed transmission	UTC (Public and Private Utilities)	BPA (RTO, if formed)	FERC Congress	Entire WECC, including B.C. and Mexico, is also involved
	Manage transmission well	UTC (Public and Private Utilities)	BPA (RTO, if formed)	FERC	

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	Planning for transmission needs	UTC (Public and Private Utilities)	BPA (RTO, if formed)	FERC	
	System reliability and security	UTC CTED	WECC NWPP	FERC Congress	
<b>Mitigate Environmental Consequences of Electricity Generation</b>	Salmon Recovery	Fish & Wildlife Ecology Salmon Recovery Funding Board Governor's office Local governments	NWPPC Regional managers of federal agencies	FERC: Hydro Licensing Federal Agencies: DOE/BPA, BOR, Corps, NMFS	NWPPC has large role in salmon recovery  Washington Tribes are also important players in salmon recovery    Many national and international entities are also involved
	Air Quality	EFSEC Department of Ecology Local governments GA Procurement		EPA	
	Water Quality	EFSEC Department of Ecology Local governments	Regional managers of federal agencies	EPA FERC: Hydro Licensing	
	Global Warming	EFSEC Legislature		Multiple Federal entities	
<b>Natural gas supplies</b>	Planning/Forecasting	CTED EP UTC (Public and Private Utilities)	NWPPC		If natural gas is likely to be predominant marginal resources

Note: Table A.1 illustrates some of the key policy goals for the state, but is not intended to be comprehensive. In addition, the table focuses on governmental institutions and does not reflect the significant role of private sector entities, such as the finance community and independent power producers.